

## **NEW JERSEY BOARD OF PUBLIC UTILITIES**

### **Re-adoption of the Board's Energy Competition Rules – N.J.A.C. 14:4**

#### **SUPPLEMENTAL COMMENTS FROM** **GATEWAY ENERGY SERVICES CORPORATION** **FILED 10/5/2010**

##### **Introduction**

These supplemental comments are submitted by Gateway Energy Services Corporation ("Gateway Energy") regarding the possible re-adoption of the New Jersey Board of Public Utilities' ("the Board's") Energy Competition Rules (N.J.A.C. 14:4). Gateway Energy originally filed comments on this topic on July 9, 2010.

Gateway Energy, based in Rockland County, N.Y., is an independent third-party energy supplier of natural gas and electricity to residential and business customers in more than 35 markets across eight states, the District of Columbia, and Ontario, Canada. We operate as Gateway Power Services in Texas and as Gateway Energy Services Ltd. in Canada. Gateway Energy has been serving customers in New Jersey since 1999.

Gateway Energy has identified an additional issue that should be clarified in the rules.

##### **§ 14:4-7.10 Termination of a residential contract by a TPS**

§14:4-7.10 states that a Third Party Supplier ("TPS") may not terminate a residential customer without 30 days' prior written notice. Thirty days is much longer than the industry standard and can result in as many as 90 days of uncollectible debt. It may appear that this is not an issue in

the world of purchase-of-receivables programs. Many utilities in New Jersey however, (PSEG, JCPL and Atlantic City Electric) will drop a customer back to dual billing when his/her account falls into arrears. After the customer is dropped to dual billing, the utility no longer purchases that customer's receivables and therefore the risk falls upon the TPS. Depending upon the timing of the notice and the timing of the cancellation request from the TPS to the utility, the customer could continue to incur debt for as many as 90 days.

Gateway Energy's experience with this process in PSEG's territory has been troubling.<sup>1</sup> PSEG drops customers to dual billing when they are in arrears (60 days for electric and 120 days for gas). Some TPSs (including Gateway Energy) prefer not to dual bill customers and therefore attempt to drop these customers back to the utility before they switch to dual billing. Rule §14:4-7.10 requires a TPS to provide customers with 30 days' written notice prior to sending them back to the utility. All TPSs participating in PSEG's consolidated billing program receive a weekly report from PSEG that shows all active customers who are in arrears for the particular TPS. In addition, this report shows all customers who are in arrears and who are also pending a switch to the TPS (within 6 days of the report). The arrears identified in PSEG's report represent all arrears that the customer incurred for PSEG delivery charges as well as supply charges from PSEG and any TPS, previous or current.

The underlying problem is that a customer could sign up with a TPS and within one month be dropped to dual billing for a debt incurred before he/she becomes a customer of that TPS. While PSEG does prevent customers who are in 60-day arrears or more from switching to a TPS, they do not prevent customers with arrears of 59 days or less from switching. In addition, there is no indicator on an EDI file or otherwise that alerts the TPS of this potential problem.

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<sup>1</sup> Gateway Energy is using our experience with PSEG as an example for these comments. JCPL and Atlantic City Electric have similar processes in place.

In addition, in order for a TPS to provide the 30 days' written notice and send the customer back to the utility before the drop to dual billing occurs, the TPS utilizes the reports from PSEG to identify which customers must receive the notice. In many cases, letters are sent to customers who have not yet incurred a debt with the TPS. This is extremely confusing to the customer since he/she is receiving a "drop to utility" letter from a TPS when he/she has not received charges from that TPS. According to PSEG, many TPSs are sending out the letters regardless of whether or not the customers have received billed charges from that TPS.

For Gateway Energy, the rate we offer our customers is based on the assumption that the customer will be included under the purchase-of-receivables program. When a customer drops to dual bill (therefore terminating the purchase-of-receivables arrangement), the likelihood that he/she will ever pay the TPS is poor. TPSs must be able to drop customers back to the utility in as short a time frame as possible.

Therefore, Gateway Energy requests that the time frame be shortened to enable a drop to occur with 7 days' written notice. Reducing this time frame would decrease the possibility of a customer's receiving a letter from a TPS before he/she receives the first bill with the TPS' charges, thereby alleviating customer confusion. Additionally, a change to a 7-day notice reduces the amount of risk the TPS incurs. (This time frame would have to be updated in both §14:4-7.10 and 14:4-7.6(i).)

Furthermore, Gateway Energy also recommends that the practice of the utility companies' dropping customers to dual bill for prior debts be re-examined. TPSs are being indirectly penalized for charges incurred prior to serving the customer and customers may be receiving letters they do not understand from the TPS. If the utility programs can't be re-examined, the



utility should block all accounts that are in arrears from being switched to a TPS. This would eliminate the confusion described above. At a minimum, the utility should provide as much detail as possible in the aging reports and/or EDI transactions so that a TPS can make an informed decision about whether to submit the customer for enrollment or send the customer a letter that is more specific.

### **Conclusion**

Thank you for the opportunity to provide additional comments on the proposed rulemaking. If you require additional information or clarification, please contact me directly.

Sincerely,



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